

THE

SEP 1 - 1959

Dan Smoot Report

Vol 5, No. 29

Monday, July 20, 1959

Dallas, Texas



DAN SMOOT

FOREIGN AID—PART III

On June 11, 1959, the Government Printing Office published *U.S. Foreign Aid: Its Purposes, Scope, Administration, and Related Information*. This is the most comprehensive, and objective, study of America's foreign aid programs which an official agency of government has yet made available to the public. It was prepared, at the request of a group of U.S. Congressmen, by research experts in the Legislative Reference Service of the Library of Congress.

Last week, in this *Report*, I presented some of the statistics and significant conclusions found in the Library of Congress study. I tried to explain and illustrate the problem of handling government statistics on something like our foreign aid program—which deals in such fantastic sums that its figures are, at best, incomprehensible to the human mind; and which is such a violation of American tradition and American constitutional principles that government deliberately hides facts from the public so that taxpayers cannot get exact information on where their money goes.

I labor this point here merely as a preface to the statistics presented in this issue.

All statistics in this *Report* are the most accurate compilations I could make from tables in the Library of Congress publication. The figures do not, by any means, include all the money which has been taken away from American taxpayers, by force of tax laws, to "help" the rest of the world; but the figures do give the nearest approximation available of the size of our foreign aid.

* * * * *

THE BEGINNING

Franklin D. Roosevelt's first decisive step toward involving America in World War II was his demand for repeal of our Neutrality Laws and for passage of the Lend-Lease Act of 1940. In the Lend-Lease Act of 1940, Congress gave President Roosevelt absolute and autocratic "authority" to do anything he wanted with the property and income and savings of the American people. Roosevelt could seize the property and money of Americans and give them away to any foreign

THE DAN SMOOT REPORT, a magazine edited and published weekly by Dan Smoot, mailing address P.O. Box 9611, Lakewood Station, Dallas 14, Texas, Telephone TAYlor 4-8683 (Office Address 6441 Gaston Avenue). Subscription rates: \$10.00 a year, \$6.00 for 6 months, \$3.00 for 3 months, \$18.00 for two years. For first class mail \$12.00 a year; by airmail (including APO and FPO) \$14.00 a year. Reprints of specific issues: 1 copy for 25¢; 6 for \$1.00; 50 for \$5.50; 100 for \$10.00—each price for bulk mailing to one person.

government on earth.

The excuse for this frightful Lend-Lease Act was that by giving material aid to the "good" powers involved in the European war—that is, the governments Roosevelt approved of—we would thus enable them to defeat Hitler; and this would keep America out of war, because, if Hitler were permitted to win in Europe, he would cross the Atlantic and gobble us up.

That the American Congress, and people, could have been frightened by this preposterous propaganda that Hitler could possibly have posed a serious military threat against America—now seems incredible; but they were. We supported Roosevelt's shameful Lend-Lease scheme of 1940—shameful, in one obvious sense, because Roosevelt's Lend-Lease argument was that we must pay European nations to defeat Hitler, because, if they didn't, Hitler would come after us, and we couldn't defend ourselves.

Lend-Lease was going to keep us at peace, by financing other nations to fight "our" war; but, of course, it had the opposite effect. Lend-Lease made our ultimate involvement in World War II inevitable.

At any rate, American foreign aid began as an emergency program in 1940; and it has never stopped. One "emergency" followed on the heels of another. Our foreign aid program changed names and operating techniques; and it was always "temporary"; but it never ended.

Between July 1, 1940 and June 30, 1958, the net amount of reported foreign aid which we scattered over the earth—as best I can compute the total from the Library of Congress report—is 124 billion, 647 million, and 310 thousand dollars—49 billion, 223 million, and 859 thousand dollars of which was for the war period July 1, 1940 to June 30, 1945; 3 billion, 420 million dollars of which was for capital investments in international organizations: that is, International Monetary Fund, International Finance Corporation, and International Bank for Reconstruction and Development.

* * * * *

WHERE IT WENT

Below is an alphabetical listing of the nations which the June 11, 1959, Library of Congress report shows as receiving our foreign aid. The "war period" column covers the period July 1, 1940 to June 30, 1945, and includes both military and economic aid. The "postwar" column covers the period July 1, 1945 to June 30, 1958, and includes only economic aid—except as explained in the article below, "China, Greece, and Turkey."

There are uncertainties in these figures. One cannot tell, for example, whether the "postwar" column includes such things as:

(1) The Offshore Procurement Program—in which we spend roughly a billion dollars a year, paying foreign industries to produce military goods, some of which we give to foreign governments for them to use in their own defense;

(2) The program for disposal of American agricultural surpluses—in which we pay freight to ship American agricultural commodities to foreign nations, where the commodities are sold for local currencies. We use part of the local currency for purchasing products in that particular nation; and we then give those products away to the government of that nation—or haul them off and give them to the government of some other foreign nation.

Moreover, the totals of these columns do not balance with the net totals of our foreign aid program as shown in the Library of Congress report.

Nonetheless, the following listing, compiled from the Library of Congress report, gives the best picture available of our foreign aid programs:

	War Period	Postwar Period	Total
Afghanistan			
	\$	\$ 64,076,000.00	\$ 64,076,000.00
Albania		20,444,000.00	20,444,000.00
Argentina	1,629,000.00	131,155,000.00	132,784,000.00
Australia			
	896,749,000.00	6,727,000.00	903,476,000.00
Austria			
	1,022,000.00	1,085,470,000.00	1,086,492,000.00
Bahrein	17,048,000.00		17,048,000.00

Belgium-Luxembourg and Dependencies			
Bermuda	68,774,000.00	814,543,000.00	883,317,000.00
Bolivia	1,000.00		1,000.00
Brazil	11,262,000.00	147,504,000.00	158,766,000.00
Burma	374,789,000.00	794,068,000.00	1,168,857,000.00
Cambodia		26,498,000.00	26,498,000.00
Canada		121,513,000.00	121,513,000.00
Ceylon		159,321,000.00	159,321,000.00
Chile	46,268,000.00	21,524,000.00	21,524,000.00
China		197,570,000.00	243,838,000.00
Columbia	1,311,104,000.00	2,581,921,000.00	3,893,025,000.00
Costa Rica	32,762,000.00	160,938,000.00	193,700,000.00
Cuba	9,002,000.00	38,411,000.00	47,413,000.00
Czechoslovakia	24,857,000.00	41,494,000.00	66,351,000.00
Denmark	8,477,000.00	215,237,000.00	223,714,000.00
Dominican Republic		285,186,000.00	285,186,000.00
Ecuador	5,142,000.00	2,350,000.00	7,492,000.00
El Salvador	16,907,000.00	50,975,000.00	67,882,000.00
England and Dependencies	2,803,000.00	8,835,000.00	11,638,000.00
Ethiopia-Eritrea	29,224,703,000.00	8,347,140,000.00	37,571,843,000.00
European Coal and Steel Community	5,611,000.00	27,723,000.00	33,334,000.00
Finland		100,000,000.00	100,000,000.00
France and Dependencies	16,563,000.00	143,624,000.00	160,187,000.00
Germany, East	2,637,123,000.00	6,633,427,000.00	9,270,550,000.00
Germany, West		17,342,000.00	17,342,000.00
Ghana		5,121,367,000.00	5,121,367,000.00
Greece	78,992,000.00	477,000.00	477,000.00
Guatemala	3,220,000.00	1,827,617,000.00	1,906,609,000.00
Haiti	10,248,000.00	70,497,000.00	73,717,000.00
Honduras	3,983,000.00	48,144,000.00	58,392,000.00
Hong Kong		12,734,000.00	16,717,000.00
Hungary		368,000.00	368,000.00
Iceland		32,347,000.00	32,347,000.00
India	299,000.00	40,710,000.00	41,009,000.00
Indochina	610,249,000.00	588,180,000.00	1,198,429,000.00
Indonesia		104,436,000.00	104,436,000.00
Iran	3,625,000.00	309,161,000.00	312,786,000.00
Iraq	8,144,000.00	358,079,000.00	366,223,000.00
Ireland		16,006,000.00	16,006,000.00
Israel	308,000.00	145,636,000.00	145,944,000.00
Italy		512,241,000.00	512,241,000.00
Japan and Dependencies	310,166,000.00	3,151,735,000.00	3,461,901,000.00
Jordan	4,122,000.00	3,539,268,000.00	3,543,390,000.00
Korea		72,858,000.00	72,858,000.00
Laos		2,167,733,000.00	2,167,733,000.00
Lebanon		152,695,000.00	152,695,000.00
Liberia	3,806,000.00	29,277,000.00	29,277,000.00
Libya		41,074,000.00	44,880,000.00
Malaya		61,880,000.00	61,880,000.00
Mexico		954,000.00	954,000.00
Morocco	61,468,000.00	414,352,000.00	475,820,000.00
Nepal		51,520,000.00	51,520,000.00
Netherlands and Dependencies		10,619,000.00	10,619,000.00
New Zealand	150,827,000.00	1,297,986,000.00	1,448,813,000.00
Nicaragua	249,432,000.00	19,759,000.00	269,191,000.00
Norway	7,217,000.00	18,852,000.00	26,069,000.00
Pakistan	37,109,000.00	354,535,000.00	391,644,000.00
Palestine		409,125,000.00	409,125,000.00
Panama		175,000.00	175,000.00
Paraguay	3,327,000.00	25,291,000.00	28,618,000.00
	4,358,000.00	23,081,000.00	27,439,000.00

Peru	21,486,000.00	155,081,000.00	176,567
Philippines			
Poland	52,515,000.00	982,101,000.00	1,034,616,000.00
Portugal and Dependencies	12,203,000.00	462,780,000.00	474,983,000.00
Rhodesia and Nyasaland	328,000.00	86,382,000.00	86,710,000.00
Saudi Arabia		60,697,000.00	60,697,000.00
Soviet Union	18,203,000.00	23,364,000.00	41,567,000.00
Spain and Dependencies	10,776,180,000.00	687,929,000.00	11,464,109,000.00
Sudan	1,875,000.00	316,761,000.00	318,636,000.00
Sweden		260,000.00	260,000.00
Switzerland	766,000.00	111,343,000.00	112,109,000.00
Thailand		1,803,000.00	1,803,000.00
Trinidad and Tobago		124,045,000.00	124,045,000.00
Tunisia	3,000.00		3,000.00
Turkey		19,607,000.00	19,607,000.00
Union of South Africa	90,041,000.00	793,336,000.00	883,377,000.00
United Arab Republic			
United Nations and Other International Organizations	93,370,000.00	57,816,000.00	151,186,000.00
Uruguay	1,700,000.00	98,554,000.00	100,254,000.00
Venezuela	55,064,000.00	2,323,879,000.00	2,378,943,000.00
Vietnam	14,842,000.00	14,894,000.00	29,736,000.00
Yugoslavia	12,148,000.00	21,882,000.00	34,030,000.00
	830,531,000.00	830,531,000.00	830,531,000.00
	33,078,000.00	832,994,000.00	866,072,000.00
	* * * * *		

UNSPECIFIED AID

In addition to the aid listed by country, above, we have given the following sums—which the government will not give details about but lists merely as “unclassified” or “unspecified” or lumps together by regions. The following figures include the net of both military and economic aid which we have given to “unspecified” countries in the postwar period — July 1, 1945 to June 30, 1958:

Europe	\$13,336,971,000.00
Near East, Africa, South Asia	\$ 2,769,686,000.00
Other Areas	\$ 541,288,000.00
Unspecified Latin America	\$ 20,784,000.00
Unspecified countries	\$ 4,610,065,000.00
Total	\$21,278,794,000.00

CHINA, GREECE, TURKEY

As indicated, the “War Period” column in the big list above gives the net amount we gave to each country shown during the period July 1, 1940 to June 30, 1945 — that is, economic and military

aid less whatever we got back from them in one form or another.

The "Postwar" column includes only net economic aid—except in the cases of China, Greece, and Turkey. If you want to know the total aid—military plus economic—we have given these three nations in the postwar period, check the "postwar" column above and you will have it. But you cannot find out how much aid we have given any other nation in the postwar period.

Why?

The Library of Congress report says (on page 7, under the caption *Postwar military aid*):

"The breakdown of military aid by country is not given, since such information is classified for security reasons. . . .

"It should be understood that any total for postwar aid by the United States to any foreign country compiled from these tables will include economic grants only. Military totals are not included, except under Greek-Turkish aid and Chinese military aid."

What "security reasons" would justify the government in hiding facts on military aid given to foreign countries in the postwar period? The foreign countries certainly know how much we have given them; and the Soviets certainly know too. The only "security reason" for classifying this information is to keep it from the American people.

Why doesn't the same "security reason" apply to China, Greece and Turkey? If it is not safe for our government to let us taxpayers know how much of our money is going into military aid for communist Yugoslavia, pro-communist Indonesia, anti-American India, corrupt Laos, and scores of other such places—why is it safe to let us know how much military aid is going to China, Greece, Turkey? Because there is less American public opposition to aid for these three nations than to aid for other nations! Many prominent Americans, who criticize our over-all foreign aid programs as disastrous, approve aid to China, Greece, and Turkey, because they think our aid did keep

Greece from being taken over by communists, and because Turkey and nationalist China are known to be anti-communist.

Every time one of these critics complains about foreign aid, the foreign aid lobby can confront him with the staggering figures on our aid to China, Greece, and Turkey and charge him with "playing right into the hands of communists" by condemning foreign aid.

A word about this question of foreign aid to the "real anti-communist nations": it is legally, morally, and constitutionally wrong for our government to take money out of the paychecks of American workers for gifts to foreign nations—whether those nations be considered "good" or "bad".

Hence, those Americans who try to defend foreign aid for one group of nations but condemn aid to other nations have no logic in their arguments.

With regard to Greece: foreign-aid lobbyists who always claim that our aid saved Greece from communism never mention that American money and military goods armed the communists guerillas who almost took Greece over. And they never mention that national elections in Greece have reflected a steadily growing pro-communist bias ever since our big aid program began.

American money and military goods also armed the Soviet Siberian armies which conquered a vast section of China after we defeated Japan—and also armed the Chinese communists, who, further assisted by pro-communist manipulators in the American State Department, finally drove Chiang Kai-shek out of China.

We do have a heavy obligation to the Chinese nationalists; but it is not an obligation to support them, and control them, in perpetuity as helpless wards of the American government. Our national interest requires that we make a hard choice concerning the Chinese nationalists: (1) we are going to help them, financially, regain what the

Acheson-Truman-Marshall crowd in our State Department helped them lose; or, (2) we are going to pull out and leave them to their own devices.

Honor should dictate choice Number 1. We are told that, even if Congress passed a law stopping all foreign aid, it would take several years to "clear the pipelines" of aid already ordered. Very well, let's divert all of it to South Korea and nationalist China, letting them know that when the pipelines are clear—that is all. Syngman Rhee and Chiang Kai-shek have steadily maintained that, with their own manpower, they could break the communist hold on China—if we would give them financial help and turn them loose. If they fail, then their failure is inevitable. The sooner we find that out the better off they and we will be.

Turkey? Characterizing Turkey as a nation of the "free world" and depending on her as a "staunch ally" of America in the event of a major war are monstrous absurdities. The Turks have a long common border with Russia. They have their own, ancient reasons for hating and fearing the Russian bear; they will resist him to the end; our aid is more likely to weaken, than to strengthen, their resistance, because any people who learn to depend on others grow weak.

* * * * *

THE BIG 20

Of the 85 specific recipients of American foreign aid, during the post-war period (July 1, 1945 to June 30, 1958) here are the twenty that received the most, in the order of amounts received:

England and dependencies	\$8,347,140,000.00
France and dependencies	\$6,633,427,000.00
West Germany	\$5,121,367,000.00
Japan and dependencies	\$3,539,268,000.00
Italy	\$3,151,735,000.00
China	\$2,581,921,000.00
United Nations and other international organizations (including Trust Territories in Pacific)	\$2,323,879,000.00
Korea	\$2,167,733,000.00
Greece	\$1,827,617,000.00
Netherlands and dependencies	\$1,297,986,000.00
Austria	\$1,085,470,000.00
Philippines	\$ 982,101,000.00

Yugoslavia	\$ 832,994,000.00
Vietnam	\$ 830,531,000.00
Belgium-Luxembourg and dependencies	\$ 814,543,000.00
Brazil	\$ 794,068,000.00
Turkey	\$ 793,336,000.00
Soviet Union	\$ 648,725,000.00
India	\$ 588,180,000.00
Israel	\$ 512,241,000.00

* * * * *

AIDING OUR ENEMIES, PAST AND PRESENT

Notice that our major war-time allies, whom we aided to win the war, are still on our dole 14 years after the war was won! Notice, also, that we have added *all* of our wartime enemies: Germany, Japan, and Italy—whom our soldiers died to make the world safe from—are now among the biggest recipients of our aid. All of our postwar aid is supposed to help make the world safe from communism; but two communist nations (Yugoslavia and the Soviet Union) are among the most blessed beneficiaries of our "anti-communist" post-war aid.

The figures for Turkey and the Soviet Union, in the list immediately above, are interesting. In the postwar period (through June 30, 1958) we gave Turkey 793 million, 336 thousand dollars to enable Turkey to resist the Soviet Union. In the same period we gave the Soviet Union 648 million, 725 thousand dollars.

* * * * *

AID TO COMMUNIST NATIONS

Here are the communist nations which have received some of our foreign aid in the postwar period (July 1, 1945 to June 30, 1958) — foreign aid which is supposed to be "resisting" communism:

Albania	\$ 20,444,000.00
Czechoslovakia	\$ 215,237,000.00
East Germany	\$ 17,342,000.00
Hungary	\$ 32,347,000.00
Poland	\$ 462,780,000.00
Soviet Union	\$ 648,725,000.00
Yugoslavia	\$ 832,994,000.00
	\$2,229,869,000.00

Summing Up

Check the long alphabetical listing above and notice, of the 85 specific recipients of our post war aid, how many (in addition to the 7 communist nations listed immediately above) are: (1) pro-communist — like Iceland, Indonesia, Afghanistan; how many are socialist — like Israel, India, England; (3) how many are now controlled by communists though not yet listed as communist nations — like Iraq, Bolivia, Cuba; (4) how many are, at best, more friendly toward the Soviet Union than toward America — like the United Arab Republic, India, Finland.

Guess for yourself how many of the 80-plus foreign nations which have received our aid in the postwar period would ever help us fight a war against the Soviet Union — or against any other major power, for that matter.

Then try to imagine what an air-tight, impenetrable national defense America would now have if just one third of the 72 billion dollars which we have given away to foreign nations in the period July 1, 1945 to June 30, 1958, had actually been spent on America's defenses. Try to imagine how much stronger our economy would be if the remaining two-thirds of that 72 billions had been left in the hands of the American people who earned it — instead of taken away from them in taxes for gifts abroad.

One argument which the foreign-aid lobby often advances is that, by giving aid to "underdeveloped" areas, we secure foreign sources for critical raw materials which are in short supply in our own country.

A Senate Committee, under the chairmanship of George Malone (formerly Republican Senator from Nevada) proved that America can produce most of the critical raw materials she needs. All that we cannot produce within the continental limits of the United States are in great abundance in Central and South America; but the aid which we have been giving to our sister American Republics is small in comparison with what we have

been giving to our enemies and to hostile neutrals elsewhere.

The specified economic aid — not including military aid which our government will not give us details about — which we have given to seven communist nations in the postwar period (through June 30, 1958) totals \$2,229,869,000.00 (2 billion, 229 million, and 869 thousand dollars).

In the same period, the *total aid* (economic and military, specified and unspecified) which we have given to all 20 of the republics in Central and South America totals \$2,398,892,000.00 (2 billion 398 million and 892 thousand dollars).

* * * * *

LAOS

Another recent governmental publication which deserves the attention of all taxpayers is *U.S. Aid Operations in Laos*, published by the Government Printing Office on June 15, 1959.

This 51 page booklet is the Seventh Report by the House Committee on Government Operations. It reveals criminal corruption on the part of American foreign aid officials in Laos — inefficiency, waste, extravagance, stupidity, dishonesty on the part of American foreign aid officialdom generally. It also reveals that the aid we have poured into Laos has hurt that country, economically, politically, and militarily; and that it has made America an object of contempt and hatred.

Here are selected passages from House Committee on Government Operations' report on American foreign aid operations in Laos:

"Giving Laos more foreign aid than its economy could absorb, hindered rather than helped the accomplishment of the objectives of the Mutual Security Program.

"Excessive cash grants forced money into the Lao economy at a faster rate than it possibly could be absorbed, causing:

(a) An excessive Lao Government foreign exchange reserve, reaching at one point \$40 mil-

lion, equal to a year's aid.

(b) Inflation, doubling the cost of living from 1953 to 1958.

(c) Profiteering through import licenses and false invoices, which made possible the purchase of U.S. cash grant dollars for 35 kip. Those dollars could be resold in the free market for as much as 110 kip.

"Much of the overspending is the direct result of a determination to maintain a 25,000 man Lao Army.

"Determination of 'force objectives' (the level or the number of troops necessary for the security contemplated by the mutual security program) has always been considered a military decision for the Joint Chiefs of Staff and the Department of Defense.

"In Laos, however, the decision to support a 25,000 man army with U.S. funds was made by the Department of State, despite contrary recommendations by the Joint Chiefs of Staff. This was a political decision in a military field. There is no evidence that it was essential to support a 25,000 man army. In fact, significant military opinion has suggested a force of 12,000 to 15,000. . . .

"The concentration of the benefits of the aid program to the area around Vientiane and other centers of population, and the enrichment of, and speculation by, Lao merchants and public officials which attended the aid program, tended to lend credence to the Communist allegation that the Royal Lao Government was 'corrupt,'

and 'indifferent' to the needs of the people. . . .

"Edward T. McNamara, public works and industry officer, accepted bribes totaling at least \$13,000 from Willis H. Bird and Gerald A. Peabody of the Universal Construction Co., in return for helping them secure lucrative contracts and overlooking deficiencies in their performance. . . .

"The International Cooperation Administration and the Department of State are usually very reluctant to admit the existence of any specific errors in their administration. In those cases — and there are many — where the facts cannot be denied, it seems to be almost a standard response that the criticisms are directed to conditions and matters which are ancient history and that everything in the particular program or country criticized has been remedied in the interim and is now without fault.

"It should be noted, however, that only a few of the deficiencies noted in the Laos program were new to the subcommittee's experience. The criticisms that can be made of the Laos program today are almost identical in general substance with the criticisms we made of the foreign aid program in Iran 2 years ago. . . .

"In summary, the decision to support a 25,000 man army — motivated by a Department of State desire to promote political stability — seems to have been the foundation for a series of developments which detract from that stability.

"Given that decision, the minimum size of the necessary aid program was inexorably established at a dollar value far beyond the estimated rate

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report*.

at which the Lao economy could absorb it. From this grew intensive speculation in commodities and foreign exchange, productive of inflation, congenial to an atmosphere of corruption, and destructive of any stability, political or economic.

"With so much of the aid available for Laos earmarked for support of military forces, little attention was paid to programs which might reach the people of the villages. The aid program has not prevented the spread of communism in Laos. In fact the Communist victory in last year's election, based on the slogans of 'Government corruption' and 'Government indifference' might lead one to conclude that the U.S. aid program has contributed to an atmosphere in which the ordinary people of Laos question the value of the friendship of the United States.

"The army, which was too large for the economy to handle, was inadequate to perform its appointed mission. Against a much smaller force, it was unable to enforce Communist compliance with the Geneva agreements, which required evacuation of the two northern provinces and their return to the control of the central government. . . .

"The inability to remove the Communists from the northern provinces by diplomatic pressure or military force led to a compromise solution which admitted Communists to the Government and which established the Communist Party, Neo Lao Hak Xat, as a legal, above-ground political party."

* * * * *

If you do not keep a permanent file of *The Dan Smoot Report*, please mail this copy to a friend who is interested in sound government.

DAN SMOOT,
P. O. Box 9611, Lakewood Station
Dallas 14, Texas

Please enter my subscription for (_____ years) (_____ months) to THE DAN SMOOT REPORT. I enclose \$_____; please bill me for_____.

Rates: \$10 for 1 year
\$ 6 for six months
\$ 3 for three months
\$12 first class mail
\$14 for air mail
\$18 for 2 years

CORRECTIONS AND APOLOGIES

In the June 22, 1959 issue, I quoted from a letter which Congressman James B. Utt had written me. My typesetter garbled the quotation. Here is the passage from Congressman Utt correctly quoted:

"The sentence refers to the wealthy Kansan, Ray Hugh Garvey; and, although I used round figures in my report, he actually received from the government during the last four years — \$791,488 for wheat grown, \$405,647 for wheat not grown and \$14.7 million to store the surplus wheat. These figures were confirmed to me by the Department of Agriculture."

In the July 6, 1959 issue, on page 211, under the headline "'Democracy' Amendments — 16th and 17th" appeared this paragraph:

"This severe limitation on the taxing power of Congress made a federal income tax possible (as the Supreme Court actually ruled in 1895)."

A curious printer's error reversed the intended meaning of that paragraph. The word *possible* should have been *impossible*.

The corrected paragraph reads:

"This severe limitation on the taxing power of Congress made a federal income tax impossible (as the Supreme Court actually ruled in 1895)."

PRINT NAME

STREET ADDRESS

CITY AND STATE

LOS ANGELES PUBLIC LIBRARY

Los Angeles Public Library
Social Sciences and Education

SOCIAL SCIENCES

THE

SEP 1 - 1959

Dan Smoot Report



DAN SMOOT

Vol. 5, No. 30

Monday, July 27, 1959

Dallas, Texas

LIBERTY OR DEATH

In his weekly report to constituents, released July 2, 1959, U. S. Congressman James B. Utt (Republican, California) said:

"With the close of the last fiscal year on June 30, 1959, the deficit was just under \$13 billion. This deficit produced repercussions on a world-wide scale comparable to what a sizable overdraft will do to your own bank account. Either you have to borrow money to cover it, or sell an asset, or face insolvency."

Sell an asset? Congressman Utt says:

"We have \$80 billion worth of surplus military equipment, some new, some obsolete, but nevertheless surplus to the needs of the military establishment. This surplus could be liquidated at about 10¢ on the dollar, or about \$8 billion. We have \$8 billion worth of strategic material stockpiles, half of which should be disposed of as surplus, according to the Office of Civil and Defense Mobilization. That would bring in \$4 billion. We have a billion dollars worth of real estate which is surplus, and should be sold and placed on the local tax roll . . . We have \$8 billion worth of farm surpluses. At least \$2 or \$3 billion of this should be moved into the market. In rent and in space, storage is costing us in excess of \$2 billion a year. The total amount is about \$15 billion — more than enough to have covered the deficit and the increase in the debt limit."

Why don't we do it? Congressman Utt explains:

"It is easier to ask Congress for an increase in the debt limit than it is to push a realistic surplus disposal operation. The second and biggest obstacle is the possible economic dislocation of such an operation. The manufacturers of new equipment do not want to have billions of dollars worth of surplus items come on the market in competition. The mining interests oppose having \$4 billion worth of strategic materials available to processors who, they believe, should purchase from the producer, even though the greatest portion of this stockpile has come by way of imports, in exchange for American dollars and American farm surpluses. The lag in the disposal of real estate results from expanding military establishments which hope that someday they will find a military use for this land."

THE DAN SMOOT REPORT, a magazine edited and published weekly by Dan Smoot, mailing address P. O. Box 9611, Lakewood Station, Dallas 14, Texas, Telephone TAYlor 4-8683 (Office Address 6441 Gaston Avenue). Subscription rates: \$10.00 a year, \$6.00 for 6 months, \$3.00 for 3 months, \$18.00 for two years. For first class mail \$12.00 a year; by airmail (including APO and FPO) \$14.00 a year. Reprints of specific issues: 1 copy for 25¢; 6 for \$1.00; 50 for \$5.50; 100 for \$10.00—each price for bulk mailing to one person.

Copyright by Dan Smoot, 1959. Second class mail privileges authorized at Dallas, Texas.

"But when you are in financial difficulties, some drastic action is called for."

Congress, as Mr. Utt points out, took the "easy way" out: instead of facing up to the fact of impending national bankruptcy, Congress raised the national debt limit to \$295 billion.

In a recent report to his constituents, U.S. Congressman Bruce Alger (Republican, Texas) said:

"Our government intends that foreign aid shall be continuous and global.

"The threat of communist aggression rules out our continuing to dispense lavish foreign aid when our own economy is threatened and our defenses are inadequate.

"In a number of recipient countries, our foreign aid helps to strengthen political systems hostile to our own. Our foreign aid speeds rather than retards the growth of communism. It inflates our economy. It is partially responsible for the alarming flight of gold from our control. It is destroying our foreign markets and increasing unemployment among American workers.

"By the very nature of the foreign aid we extend, it *must be* inefficient and wasteful. Our governmental foreign aid program is unsound in principle."

There is an indictment of foreign aid which no honest man can answer.

Yet, when the Senate voted 3 billion, 543 million and 320 thousand dollars for foreign aid in the 1960 fiscal year — instead of the 3 billion, 909 million, and 400 thousand which President Eisenhower had requested — the President threatened to call a special session of Congress in order to get all the foreign aid he had asked.

The McClellan Senate committee has produced a mountain of evidence that big unions today are politically-supported power monopolies which can, and do, murder, steal, terrorize, and vandalize—and hold the entire population as helpless hostages to force compliance with the arrogant demands of union bosses; but the Congress in

1959, refusing even to consider a program which would make union bosses subject to the same laws that control other citizens, wrestled with Senator John Kennedy's proposals — which, in reality, are designed to harass business and give the union bosses even more power and exemption from law.

Richard Orr in a column syndicated by the Chicago Tribune service on July 7, 1959, said:

"The history of the 21-year-old government price support and crop control program for wheat, and the record 3-billion-dollar surplus it has produced, can be traced in the grain elevators that rise like specters over the wheat belt.

"Here in Kansas almost every small town, no matter how small, has its elevators—not just one, but two, three, and sometimes four. Big concrete structures several stories high, they look like giant monuments, glistening white in the searing sun at harvest time. . . .

"The elevators are in fact monuments — to a monumental failure by government in its attempt to replace the free market system with one of guaranteed prices and crop production controls as a means of adjusting supply to demand."

Everyone knows that the government's farm program has been a monumental failure — and that the only way out is for Congress to enact the bill introduced in the House in April, 1959, by Congressman E. Ross Adair (Republican, Indiana) — H. R. 6150 which would repeal the Agricultural Adjustment Act of 1938 as Amended, and end the farm program.

Yet Congress in 1959 paid no attention to the Adair bill. Congress debated the question of whether to approve the frightful farm bill proposed by the Administration, or to force upon the Administration its own farm bill, frightfully more frightful than the one requested by the Administration.

On the eve of the East-West foreign ministers' conference which began at Geneva, Switzerland, May 11, 1959, *The Arizona Republic* (Phoenix),

one of the rare few big-city newspapers in America which advocate sound American principles, commented on the Geneva meeting by paraphrasing the famous "Give me liberty or give me death" speech of Patrick Henry, as follows:

"It is natural to man to indulge in the illusions of hope. We are apt to shut our eyes against a painful truth, and listen to the song of that siren, till she transforms us into beasts. Is this the part of wise men, engaged in a great and arduous struggle for liberty? Are we disposed to be of the number of those who, having eyes, see not, and having ears, hear not the things which so nearly concern their temporal salvation? For our part, whatever anguish of spirit it may cost, we are willing to know the whole truth; to know the worst, and to provide for it.

"We have but one lamp by which our feet are guided; and that is the lamp of experience. We know of no way of judging the future but by the past. And judging by the past, we wish to know what there has been in the conduct of the Soviet government in the past 40 years to justify the hopes expressed by U. S. foreign policy makers concerning tomorrow's Geneva conference. Is it that insidious smile with which Soviet Boss Khrushchev received our proposal for negotiations? We should trust not Khrushchev's smile for it will prove a snare for our feet. We should ask ourselves how the latest Moscow smiles comport with the Soviet war preparations which cover the waters and darken the land. Are the huge and ever increasing Soviet armed forces necessary to a work of love and reconciliation? Have we shown ourselves so unwilling to be reconciled, that force must be called in to win back our love? Let us not deceive ourselves.

"The communist arms are the implements of war and subjugation; the last arguments to which tyrants resort. What is the meaning of the Soviet martial array, if its purpose be not to force America into submission? Can there be any other possible motives for it? Has Soviet Russia any enemy in the world to call for this accumulation of arms? No, she has not. The Soviet arms are meant for us; they can be meant for no other.

"And what have we to oppose them? Shall we try argument? We have been trying that for the past 15 years. Have we anything new to offer on the subject? Nothing. We have held the subject up in every light in which it is capable, but it has all been in vain. What terms will we find

which have not already been exhausted? Let us not deceive ourselves any longer. We have done everything that could be done to avert the present crisis. We have petitioned; we have remonstrated; we have supplicated; we have prostrated ourselves before the tyrannical hands of men in Moscow. Our petitions have been slighted; our remonstrances have produced additional violence and insults; our supplications have been disregarded; and we have been spurned with contempt from the foot of the Red throne in the Kremlin.

"In vain after these things may we indulge the hope of peace and reconciliation. There is no longer any room for such hope. If we wish to be free; if we mean to preserve inviolate those inestimable privileges for which we have been so long contending; if we mean not basely to abandon the noble struggle in which we have been so long engaged, we must be prepared to resist the Soviet onslaught, if necessary by force. To repeat — we must be prepared to resist the Soviet onslaught, if necessary by force.

"It is argued that we may be unable to cope with so formidable an adversary as Soviet Russia. But when shall we be stronger? Will it be next week or the next year? Would it be when we are totally disarmed and when Red guards are stationed in all American cities? Shall we gather strength by irresolution and inaction? Shall we acquire the means of effective resistance by lying supinely on our backs, and hugging the delusive phantom of hope, until our Communist enemies shall have bound us hand and foot?

"We are not weak, if we make proper use of the means which God has placed in our power. One hundred seventy million Americans, united in the holy cause of liberty, and representing such a country as that which we possess, are invincible by any force which our Communist enemies can send against us. Besides, we are not in this struggle alone. There is a just God who presides over the destinies of nations and who will raise friends to come on our side. The struggle ahead is not for the brave alone. It is for the vigilant, the active, the brave. Besides, we have no choice. If we were base enough to desire it, it is now too late to retire from the contest. There is no retreat but in submission and slavery. The Communists have forged our chains. Their clanking may be heard in the mountains of Tibet or in the plains of Hungary or in the city of Berlin.

"Diplomats in Geneva may cry peace, peace,

but there is no peace. The Cold War is on, and a hot war is inevitable unless we win the Cold War. If we lose the political struggle with the Soviets, the next gale that sweeps from the Communist East might well bring to our ears the clash of resounding arms. Our brethren are already in the field — in Tibet, in Red China, in enslaved East Europe and even inside Russia itself. Why stand we here to idle? What is it that our appeasers wish? What would they have? Is life so dear, Communist imposed peace so sweet, as to be purchased at the price of chains and slavery? Forbid it, Almighty God! We know not what course others may take; but as for us, give us liberty or give us death!"

Most of America's metropolitan press, however, dived about what a "tough negotiator" our new Secretary of State is, and what a fine thing it is for us to meet the Soviets "across the table" in an effort to solve international problems. The Geneva meeting was held. It was exactly like hundreds of previous official meetings we have had with communists: dragged on for weeks, accomplishing nothing except the shameful underscoring of a shameful truth: namely, that although we know the Soviets are blood-soaked gangsters we do not have the courage to speak or act accordingly. Hence, every formal conference we have with them builds up their prestige, discourages the millions of people whom they have enslaved, creates further divisions and mutual distrust among the "free-world" powers, and tightens Soviet control on the whip-handle, the initiative, in global power politics. When they want a "conference," they get it — after making us maneuver and plead for one. When they want an increase in "cultural exchanges" (to serve their espionage and propaganda needs) they get it — after maneuvering us into asking for it and paying the bill.

* * * * *

WHY?

Why do Congress and the President fly in the face of known facts and force accelerated con-

tinuation of programs proven to be disastrous for the nation?

With regard to the farm program, one answer can be found in a feature story published in Scripps-Howard newspapers in May, 1959. In this story, Dickson Preston, a staff writer, said:

"Few members of Congress are actively engaged in farming and not one can claim he has to have farm income to feed his family.

"Yet under today's outmoded farm program, many of them are collecting part of the \$6 billion it is costing U. S. taxpayers per year. . . .

"A survey by Scripps-Howard Newspapers reveals that at least six senators and more than a score of House members are collecting farm payments on the side. Here are some examples:

"Sen. Homer Capehart, R., Ind., who recently called the program a 'shocking' burden on the taxpayers, has received \$146,679 in cash and loans in the last three years.

"Sen. Milton R. Young, R., N. D., an ardent friend of high price supports, together with his three sons has received \$85,378.88. About \$44,000 of this was in price support loans which the Youngs repaid.

"Sen. James O. Eastland, D., Miss., has drawn \$31,527.83, of which \$4,253.50 was in cash, \$11,225.81 in loans which were not repaid and the remainder in loans repaid with interest.

"Sen. Herman Talmadge, D., Ga., like Young an advocate of big farm spending, has been paid \$5,980.80 in outright grants since 1956.

"Rep. Clarence Cannon, D., Mo., House appropriations chairman and a spokesman for government economy, is on the books for \$5,306.15.

"Rep. Carl Vinson, D., Ga., chairman of House armed services, has collected \$1,860.70 for carrying out 'conservation practices' which increased his farm's productivity. . . ."

Greedy self-interest motivates much of the lobbying for ruinous governmental programs. Among the powerful foreign-aid lobbyists are, for example:

(1) former Pentagon officials now holding jobs with "defense" contractors who want continuation of government buying for foreign aid;

(2) lawyers who were once prominent as government officials or as national political figures (like Dean Acheson and Tom Dewey) whose law firms collect lush fees for helping foreign governments get foreign aid from America;

(3) tens of thousands of government employees whose jobs depend on continuation of foreign-aid programs;

(4) union bosses whose unbridled power is given even slacker rein in industries working on big government contracts;

(5) socialists, communists, and collectivists generally who support foreign aid, or any other kind of government spending, because it speeds the destruction of states rights and elimination of free competitive capitalism in America;

(6) the whole crazy assortment of uplifters and do-gooders who recognize foreign aid as an expressway toward realization of their dreams of one-world togetherness;

(7) the Congressmen and Senators who cater to the voting strength of all these special-interest groups.

The selfish greed for political support is probably the most powerful motivating force behind Congressmen, Senators, and other politicians who support governmental programs known to be harmful to the country. There are many Congressmen and Senators who do not themselves profit financially from governmental spending, but who support spending which they know is wrong, because powerful voting blocs in their districts want it for their own selfish benefit.

For example:

(1) Politicians who privately admit that social

security is a fraud and a sinister violation of constitutional principles — but who publicly support social security because they think their constituents want it;

(2) politicians from farming and ranching areas who know how bad the government's farm program is — but who support the program because their constituents think they are profiting from it;

(3) politicians who know how disastrous our foreign aid program is — but who support the program as a means of getting more government spending in their districts, thus pleasing the big contractors, union bosses, and other selfish interests who want foreign-aid spending;

(4) politicians who are privately aghast at the corruption and tyranny of big-union bosses, but who don't want to alienate "union support."

* * * * *

WHAT ABOUT THE PEOPLE?

How do Americans generally feel about all this? Congressman James Utt says:

"We have succeeded in not only bankrupting the nation, but in damaging the faith and credit of every state in the union, by taking money from the taxpayers and offering to give a portion of it back to their state, providing the state will take even more money from the people, to match federal spending for some project which is not absolutely needed.

"But if I read the public reaction correctly, there is an overwhelming demand that Congress preserve a sound dollar, stop creating a welfare state, stop competing with free enterprise, assume fiscal responsibility, and exercise self-restraint against every desire of the social planners.

"Failure on the part of any Congressman to carry this mandate into effect should cause his

removal from office at the next election."

Congressman Utt is right. Americans are ripe for rebellion against the whole swarm of new-deal-fair-deal-modern-republican-socialist-labor-one-worlders who have occupied the seats of power and influence in America for a quarter of a century.

I see it in the growing public response to my radio-television broadcasts and to this published *Report*. Youngsters and oldsters, bankers and housewives, preachers, doctors, lawyers, teachers, soldiers, day-laborers, office workers, farmers — people of all ages, occupations, and income-levels in all parts of the nation, tell me that when they find a politician who will support unadulterated principles of American constitutionalism, they will support him against all opposition.

BUSINESSMEN

Perhaps the most encouraging signs are indications that businessmen, long afraid to open their mouths about "controversial" issues, are beginning to join the fight for survival of the way of life which made their businesses possible. This is most important, because America, the last nation on this planet with an economic system that is, at base, free, profit-motivated capitalism — is essentially a business society. Only American businessmen have the resources and the organization necessary to save our society and restore the American constitutional republic. Most of them are still too ignorant or timid — or too selfishly involved with the entrenched system of big-government — to do anything; but, in growing numbers, American businessmen are rousing and joining the great struggle of our time — the all-encompassing, worldwide struggle-to-the-death between the forces of individualism and freedom on the one hand; collectivism and slavery, on the other.

Mr. F. F. Look, President of Allen-Bradley

Company—one great American business firm that has been in the fight for American constitutionalism continuously and wholeheartedly — recently sent me an article from *Air Conditioning, Heating & Refrigeration News* — a trade journal. Instead of the collection of trivia and tawdry jokes characteristic of many business trade journals — I found in this article a splendid commentary on the government's "ridiculous farm subsidy laws."

Since the general election in November, 1958, when American voters elected a union-boss-dominated Congress of the United States, literally thousands of American businessmen have decided that the fight for survival must begin now, or never.

The reaction — and action — of Mr. W. R. Youngquist, President of First Federal Savings and Loan Association, 85 South Seventh Street, Minneapolis, Minnesota, are typical.

Mr. Youngquist says:

"For several years past I have watched political and economic trends in our country with mounting concern and deepening misgivings. The integrity of the dollar is under attack with increasing violence. All life insurance policies, savings, bonds, trust funds are in jeopardy; and no effective move is underway to bring inflationary forces under control.

"The last election was the last straw. I determined then to do what I could, as one citizen, to get public thinking back onto the American track."

* * * * *

WE ARE HELL-BENT

Mr. Youngquist began by writing his confession of political faith and mailing it, as a letter,

to a thousand people — editors, attorneys, businessmen, ministers. Here are excerpts from the letter, which has evoked widespread response:

The issues between the political parties are not those of great principles. There is only one issue — namely, which party can gain, and retain, power. In the struggle to achieve power every device and deceit is employed — the end justifies the means. Both parties have degenerated to the point where appeals are made for public favor on the basis of which party has, or will, open widest the gates to the public treasuries.

The consequent progressive demoralization of the American people is well known to every thinking citizen. Both parties din into the ears of citizens that security lies in increased public largess, in the money-bags of governments. Self-reliance, which springs from within the individual, together with its closely related qualities of frugality, personal integrity, capacity to endure hardship and sacrifice when necessary, and other qualities that go to make up a strong human character on which alone enduring personal or national security can rest, have been subverted to the utterly false doctrine that personal security and freedom originate in government.

We are hell-bent for a socialistic labor-union dictatorship, and it will take citizens and organizations with greater moral courage and intellectual honesty than either of the existing political parties now possess to correct it. In fact, when one contemplates the forces at work to destroy our freedoms, it is difficult not to despair. But

the liberty which we have inherited from the past, purchased through thousands of years of human sacrifice, suffering and death, are much too precious to give up so long as there is a glimmer of hope.

The exigencies of our nation's political life must bring forth individuals, and a political party, with moral courage, intelligence, and integrity to proclaim and implement the principles and truths by which alone the people of this nation can hope to remain free. Human freedom is a scarce article in this world and has been achieved by a relatively small portion of its population. It reached its greatest exaltation and its purest essence in the Declaration of Independence and in the Constitution of the United States, which has been distorted beyond recognition by our political Supreme Court. We will not keep our Republic if the two parties continue to follow the road they are now traveling and if another political organization cannot be created to replace one of them.

Powerful forces, at work to destroy our constitutional republican form of government and to erect in its place a dictatorship, have already succeeded beyond the realization of most citizens.

The issue is no longer one of choosing up sides in an election to find out which political party is going to be given the privilege of skinning us for the next 2 or 4 years. The issue now is whether we can preserve our liberties. It is as simple as that.

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing and encouraging others to subscribe, to *The Dan Smoot Report*.

President Eisenhower said he would campaign on the issue of "getting down these deficits and keeping our money sound." On the same day he deplored the cut by Congress in foreign aid spending "as my greatest disappointment." When the Marshall plan was first proposed, the American people were told that the total amount involved would be about \$1.5 billion and would expire in about 3 years . . . another falsehood peddled by politicians itching for more power. That was 11 years ago and we've scattered \$75 billion over the earth supporting dictators, communists, socialists, tyrants, crooked and corrupt rulers, and governments of every stripe. We are more cordially hated than ever.

Who gave Congress or the administration power to reach into your pocket after your earnings to hand them over to Tito or Sukarno, or whomsoever? In recent days newspapers have reported that the President is going to cut spending — and that he is going to ask Congress for an increase of one billion dollars in foreign aid — all at the same time. How stupid do the politicians think the people are?

One evening recently I listened to Mr. Eisenhower say that the Republican party stood four-square for "efficiency and economy." But it is the president who proposes the budgets and he has

seen federal spending rise from \$64.5 billion in 1955, to \$66.5 billion, to \$69 billion, to \$72 billion, and now to near \$83 billion for the current year.

It is one thing to *profess*; it is another thing to *perform*! I have no confidence in "professing" politicians who talk economy while reaching into people's pockets for more. I have no confidence in politicians who blabber about democracy and freedom while voting for every measure that brings us closer to a socialistic-dictatorship. I believe there are millions of other citizens who are sick of it all too. Some way must be found to weld all these people, everywhere, into an organization for the preservation of American freedoms.

A statesman who dares campaign on uncompromised American principles will do the welding Mr. Youngquist mentions — when the people are ready.

To get them ready, before it is too late, businessmen had better devote some of their advertising funds to sponsoring programs which can quickly arouse millions to a desire for restoration of the republic.

If you do not keep a permanent file of *The Dan Smoot Report*, please mail this copy to a friend who is interested in sound government.

DAN SMOOT,
P. O. Box 9611, Lakewood Station
Dallas 14, Texas

Please enter my subscription for (_____ years) (_____ months) to THE DAN SMOOT REPORT. I enclose \$ _____; please bill me for _____.

Rates: \$10 for 1 year
\$ 6 for six months
\$ 3 for three months
\$12 first class mail
\$14 for air mail
\$18 for 2 years

PRINT NAME

STREET ADDRESS

CITY AND STATE

THE

Dan Smoot Report

Vol. 5, No. 31

Monday, August 3, 1959

Dallas, Texas



DAN SMOOT

SOCIAL SECURITY

I received the following letter from Victor Evins, Frankfort, Kentucky:

"Our history class has been reading *The Dan Smoot Report* in order to gain the right information on matters of current interest.

"Your August 4, 1958 and July 8, 1957 papers on social security were particularly interesting to me. After reading them I went to my local Social Security Office and obtained a booklet, *Facts about the Old-Age and Survivors Insurance Trust Fund*, that listed figures on the social security trust fund.

"I planned to give a report to the class on the evils of the social security system, but after reading the booklet and comparing it with your papers, I begin to wonder whether your arguments are well-founded.

"On page 2 of the August 4, 1958 issue, you state that the social security system operated in the red from 1957-58, and, 'In other words, the social security system is . . . bankrupt;'

"It is true that the social security system operated in the red in the 1957-58 period, but you failed to add that new legislation was passed during that time, extending benefits to women who had never contributed to the fund. It was one of the few years in which such legislation was passed, and, consequently, one of the few years that the social security system operated in the red. This is no sign that the fund is bankrupt. There is still 22.8 billion dollars in the trust fund. This amount could, and most assuredly will, increase during the next years due to interest gained on this sum and to an increase in the present percentage taken from earnings.

"On page 6 of the same report you state that, 'Money taken away from you for social security is spent exactly as the money taken away from you for income tax is spent; for foreign aid, and so on. The only thing that goes into the social security trust fund is the government's I.O.U. — government securities and bonds,' and in the July 8, 1957 issue, Wint Smith says, 'All the money that is

THE DAN SMOOT REPORT, a magazine edited and published weekly by Dan Smoot, mailing address P.O. Box 9611, Lakewood Station, Dallas 14, Texas, Telephone TAYlor 4-8683 (Office Address 6441 Gaston Avenue). Subscription rates: \$10.00 a year, \$6.00 for 6 months, \$3.00 for 3 months, \$18.00 for two years. For first class mail \$12.00 a year; by airmail (including APO and FPO) \$14.00 a year. Reprints of specific issues: 1 copy for 25¢; 6 for \$1.00; 50 for \$5.50; 100 for \$10.00—each price for bulk mailing to one person.

Copyright by Dan Smoot, 1959. Second class mail privileges authorized at Dallas, Texas.

paid under the social security program . . . is used for the current expenses of government

"The trust fund is put in federal securities because this is the safest possible investment, and it keeps this huge sum of money from being invested in competitive business ventures. It is lent to the government and must be paid back by the government with interest. If there were no trust fund, the government would borrow the same amount from other investors. Naturally the money is spent for foreign aid and other government projects, just as is the money which the average citizen invests in government bonds."

The pamphlet which Victor Evins sent me — *Facts About the Old-Age and Survivors Insurance Trust Fund* — was published by the Social Security Administration in September, 1958.

Below is my reply to the young man:

On page 7 of the Social Security pamphlet you sent me, the Social Security Administration has three paragraphs which amount to an admission of insolvency:

"The amount of the assets required to be held at any one time in the trust funds to finance the old-age, survivors, and disability insurance program need not be computed in the same way as the amount of reserve funds maintained by private insurance companies.

"Private insurance companies must have reserves equal to the present value of all benefits less the present value of future premiums. These reserves are required by law because the private company must be prepared to pay benefit liabilities or cash surrender values even if it should cease writing new business.

"The Federal program, on the other hand, since it is compulsory under Federal law, can count on continuing participation in the program and the continuing payment of contributions."

In other words, the social security system does not have reserves to meet obligations already acquired. It merely calculates that, in the future, it will be taking in from its "customers" (that is, taxpayers who are forced to be "customers")

enough to meet its obligations. If you would obtain the official publication which I discussed on Page 4 of the July 8, 1957, issue of *The Dan Smoot Report* ("Actuarial Cost Estimates for the Old-Age, Survivors, and Disability Insurance System as Modified by Amendments to the Social Security Act in 1956"), you would see that, even by the official calculations, there is considerable doubt that social security will always take in as much as it pays out.

If the social security system were financially solvent, it would have reserves, at all times, to meet all the obligations, current and long-range, which it has already acquired, just as a private insurance company is compelled by law to do. The social security system claims to have in its trust fund 22.8 billion dollars. It would have to have well over 500 billion dollars to meet all obligations already acquired.

Periodically, social security advocates manage to force new groups of taxpayers into the compulsory system. This means an immediate increase in revenue for social security, without any immediate outlay — because, normally, people have to contribute to a pension system for a while before they can start collecting. On the other hand, of course, social security does not always operate "normally." In election years, politicians buy votes from special groups by promising to get them under social security coverage in such a way that they can begin to collect immediately, just as if they had been paying in all along. This is how farmers were brought in. The year they were brought in, social security went into the red — hence, there was much agitation to force into the system other groups, like doctors, who would have to pay a while without collecting. When government is unable to force enough new customers into the social security system to keep it currently solvent, government simply raises the social security taxes.

If the managers of a private insurance firm operated the way this government "Old-Age, Survivors, and Disability Insurance System" works, the private operators would be sent to prison for

fraud.

As to the social security trust fund — on page 8 of the pamphlet you sent me, is the statement:

"Securities held by the trust funds are not IOU's issued by the government to itself."

Then what are they?

Every security in the social security trust fund is nothing more than a promise by one agency of government to pay to another agency of government a certain sum of money.

On page 7 of its September, 1958, pamphlet — *Facts About the Old-Age and Survivors Insurance Trust Fund* — the Social Security Administration gives two reasons why the law requires social security trust funds to be invested in government securities.

One reason:

"First, it is designed to insure the safety of the funds; Government securities are the safest form of investment."

There is some grim truth in this, even though our government is experiencing increasing difficulty in selling its securities. The government will continue to meet its obligations, social security and otherwise, by deficit financing and other currency-cheapening processes, and by tax levies on the people. If our government continues its present policies it will ultimately kill the goose that lays the golden egg. Its securities will be so cheapened that it will be unable to meet its obligations by any means; and at that time, all government securities will be worthless; but when this happens, government will drag private securities down with it. When government securities become worthless, then private securities will be worthless, too. Hence, there is, as I remarked, some grim truth in the statement that "Government securities are the safest form of investment."

Here is the other official reason for investing social security trust funds in government securities:

"Second, it keeps this publicly operated program from investing funds in competitive business ventures. If the trust funds were authorized to make such investments, these funds through extensive purchases and sales might come to exert a significant influence on the market for private securities and they might become a means of direct public intervention in business management."

Coming from an agency that was created to intervene in the economic affairs of private citizens, this pronouncement is as reassuring as the sermonizing of a thug who lectures you on the evils of crime while beating you over the head to take your money.

I agree that it would be unwholesome for a governmental agency to build up a multi-billion dollar trust fund, from payroll taxes, and then invest the fund in private businesses. This could become a means by which government could buy a controlling interest in all private corporations. But if the social security trust funds were lent to private banks, at interest, would that be any more unwholesome than the Treasury Department's present practice of *borrowing* from private banks by forcing its securities on them in such a way that the government's *indebtedness* becomes collateral for the issuance of new currency?

* * * * *

SOCIAL SECURITY'S FOUR CLASSES

On June 14, 1955, Ray O. DeMarrs, 139 N. Central, Medford, Oregon, wrote to his Congressman, Harris Ellsworth, saying, among other things:

I am a self-employed barber with an annual income of about \$4500 a year.

I carry an endowment policy for my daughter's future education and would like to take out a \$10,000 life-policy to provide for a lump sum of \$10,000 for retirement at the age of sixty with no limitations on my earning ability. This would also offer protection for my wife. Under Social Security she would receive only the \$250 burial allotment until she reached the age of sixty-five.

It should be my right to choose the type of security that I wish to provide for my family. However, the Social Security Law demands that I pay \$126 a year to the Social Security fund, and the Internal Revenue Department takes from me the money that I need to provide adequate protection of my own choice.

And further, I cannot understand a law that allows certain classes of people to retire with maximum benefit based on minimum investment, while those who built up the fund receive smaller benefits.

To illustrate:

Mr. M. M. Clemons of Roseburg, Oregon, having paid on the maximum amount from 1937 and having a total credit of over \$2800 in the Social Security Fund, receives \$73.10 a month.

Mr. R. W. Denman of Medford, Oregon, having been a self-employed person, came under Social Security in 1950. After thirty-five days, he was drawing on the fund. Now, he and his wife receive a total of \$148 a month after having paid into Social Security a total of \$162.

How just is a law that allows one citizen with \$162 invested to draw more than a citizen who invested \$2800?

Why is the working man subject to confiscation of his personal property — so that it may be doled out to others — when the professional class of lawyers and doctors is exempt?

Is it "general welfare" to enforce the Social Security law on some Americans and exempt others?

I do not want Social Security coverage. I do want private insurance under private enterprise.

Therefore, when I filed my 1954 income tax, I paid the tax but withheld \$108 Social Security Tax, stating that I did not want Social Security.

The Director of Internal Revenue in Portland listed me as an *income tax* delinquent; but I wasn't. I paid *all* of my income tax. The only tax I refused to pay was Social Security.

Being threatened with the taking of my property, salary, or interest in property, I borrowed money and paid under protest.

As a free person under our Constitution, I believe that it is my right to enjoy the same exemptions and privileges extended to doctors and lawyers; and not to be subjected to obligations, losses, and other claims from which other

citizens remain exempt.

As I am an individual without the necessary funds to test the questions in the courts, may I have your opinion on this problem of personal freedom?

On June 22, 1955, Congressman Harris Ellsworth sent Mr. DeMarrs the following reply:

Dear Mr. DeMarrs:

I have your letter of June 14 in which you express your views concerning the Social Security Act and its application to employed citizens. I have read your comments most carefully.

The question you raise as to constitutionality of the law which compels an individual to surrender to the government money for a purpose or service which is entirely personal to him and which he does not desire has insofar as I know not been the subject of a court decision. I am sure there are competent legal authorities who could present strong argument in line with your viewpoint. The taxing power of the Federal government as defined in the Constitution is rather limited as you probably noted from reading it. The legislative construction and in some instances court construction of the general welfare clause in the Constitution has been broadened so much in recent years that the scope of Federal activity includes many functions which in years past have not been deemed proper matters for Federal attention.

As to the matter of discrimination, it is recognized that at the beginning of the program or whenever new groups of gainfully employed individuals are covered those in the advanced age brackets receive very substantial benefits for relatively small contributions. It differs primarily from insurance policies available through commercial companies in that a flat tax is applied to all individuals whereas insurance company premiums are higher with the advanced ages of those who are insured.

During the preceding Congress the Ways and Means Committee held detailed hearings on the operation of the Social Security Act prior to consideration of amendments. A separate report was prepared by one of the subcommittees showing the inequities which have resulted from the operation of the present law. The subcommittee on the basis of its study recommended an entirely different type of program which would have re-

moved the disparities which you mention in your letter.

One of the startling facts developed by the Committee is that at the time the program was initiated it was insisted by many that within ten or fifteen years the Aid to the Aged Program handled jointly by the states and the Federal government would gradually drop out of the picture. It was theorized that the need for outright grants by the Federal government would completely disappear. The facts of the case show that there is a substantially larger load receiving such aid today than at the time the Act was first made effective.

The only case involving Social Security which has reached the Supreme Court was decided in 1937. If I can secure a copy or report of this case I will include it. Otherwise you may be able to find it in the local library in United States Reports of Supreme Court Decisions under the heading of *Helvering vs. Davis*, May 24, 1937.

The history of government in the world is the history of the individual endeavoring to maintain the maximum freedom from encroachment and dictation by the government. It becomes important in a country where the citizens express themselves freely in their political rights that they choose wisely if they are to avoid repetitions of the past wherein the governing power is overwhelming and largely dominate the rights and activities of the individual.

Your letter is appreciated.

When paying his 1955 income tax, Mr. DeMarrs again refused to pay the Social Security tax — and again for 1956 and 1957.

The Internal Revenue Service has showered him with notices about his "delinquency," and with demands for conferences, and with statements showing that his unpaid tax would continue to accrue interest at the rate of 6% per year.

Internal Revenue has warned him that:

"The Internal Revenue Code of 1954 authorizes levy on your property, or rights to property, including receivables, bank accounts, evidences of debt, securities, and accrued salaries, wages, commissions, or other income."

Mr. DeMarrs has had conferences with the Revenuers and has filed formal claims and submitted statements of his constitutional objections to Social Security; and the Revenuers have continued to send him forms and warnings and demands that never respond to his main points — namely, that Social Security tax is not supposed to be an income tax and that the Social Security Act — being discriminatory as between different classes of citizens, and not giving equal protection of the law to all, and giving the Federal government powers not permitted by the Constitution — is unconstitutional.

Mr. DeMarrs finally paid all Social Security taxes under protest; but he is still struggling. In a recent letter to me, he said:

"The internal revenue has taken my books and records for the past three years for auditing of my income tax. They still persist in trying to trip me up on my *income tax* return. Is this persecution because of my fight against Social Security?"

"One has a hard time interesting the rank and file of our people in this matter as so many seem to be in favor of the law.

"There seems to be four categories that people are in:

- "1. those that get Social Security;
- "2. those that will soon be getting;
- "3. those that take it all for granted because they've never known anything else;
- "4. the ones that object because they understand the freedom we once enjoyed — these are in the minority."

* * * * *

ALMOST READY

I have had the DeMarrs story in my files for more than a year. I publish it at this late date to provide information requested of me by so many subscribers that I cannot answer their letters — subscribers who say they have grown ashamed of quietly going along forever with the social security system which they know to be immoral and unconstitutional. They want to protest, and ask me how to do it. They ask me what will happen to

them if they refuse to pay the social security payroll tax. They want to know whether government would have to take them into federal court and, thus, give them a chance to test the constitutionality of the law.

The experience of Mr. DeMarrs gives some answers. A government which has been permitted to grow so big and powerful that no one can understand, much less control, it and which, consequently, has developed an insatiable lust for more tax money so that it can acquire more power — will not give an ordinary taxpayer opportunity to challenge its tax laws. In dealing with taxpayers who refuse to pay a tax they consider unconstitutional, government ignores all the constitutional safeguards (which politicians pretend tender concern about when dealing with organized minority groups). When a clever gangster or big-time swindler defaults on tax payments Internal Revenue will often compromise with him — settling the account for a few cents on the dollar. But when an honest taxpayer refuses to pay, on grounds that the tax is unconstitutional, tax agents seize his home or any other property he may have — constitutional processes be damned.

If hundreds of thousands of individual taxpayers simultaneously rebelled against paying unjust taxes, they would, of course, get results. But such a thing is impossible. It would have to be organized; and anyone trying to organize it would be prosecuted.

I do not think that individual rebellion against the social security tax is the way for Americans to fight the social security system. The legal, and possible, way to fight it is for all individuals (who know and care) to keep hammering away about the evils of big-government until the voting public is sufficiently aroused and educated to demand repeal of the income tax amendment. Repealing the sixteenth amendment would make all federal payroll taxes — including the one for social security — impossible.

Ray DeMarrs, grouping Americans into four categories according to their attitude about social

security, concludes that Americans who object to social security are in the minority. I am not certain that he is right about this. I believe that a majority of Americans quietly endure the social security system knowing that it is dishonest and immoral; knowing that it is an ineffective way to care for the aged; knowing that it is basically a communist system which violates our constitutional principles of freedom.

These widespread convictions about social security were deepened and spread even more widely in 1958 when Soviet and American social security officials made some exchange visits and happily revealed that the Soviet social security system and the American system are closely similar to each other, if not identical.

In the late summer of 1958, Mr. Charles I. Schottland, American Social Security Administrator and four other social security officials, made a one-month tour of Russia to study the Soviet's social security system.

When they returned, Mr. Schottland warmly praised the Soviet system. He announced that he was having several Soviet social security pamphlets translated for the benefit of American social security officials — and expressed hope that, in some areas of providing welfare, American institutions can make more progress by following the example of Soviet institutions.

In December, 1958, five Soviet social security officials came to America to examine our system.

While here, they proudly announced that the American social security system compares quite closely with the Soviet system.

On their nationwide tour of America, the Soviet social security officials were guests of the American State Department and of the Social Security Administration — which means that American taxpayers financed the social security exchange visits both ways: the American officials' tour of Russia,

and the Soviet officials' tour of America.

Perhaps that is as it should be. We know the Soviets are not going to change their system. So — apart from providing ammunition for Soviet propaganda guns — the only possible results of the exchange visits would be alterations in the American social security system — to make it conform more closely with the Soviet system on which it is patterned. If we must go to the fatherland of communism — and have officials in the fatherland come here — to keep our communistic systems in proper tune, it seems reasonable that we pay the whole bill.

"Conservative" Senators and Representatives in the United States Congress have admitted to me privately that our social security system is a fraud — but say they must support it politically because it is "so popular with the people." A politician, they tell me, would destroy himself if he fought social security; so, if he has any common sense, he will support it, since he can't do anything about it anyway.

Friends of mine who edit conservative publications, similar in outlook to *The Dan Smoot Report*,

tell me I am foolhardy to criticize social security. They admit that I am right, but say that I lose support and therefore weaken whatever good influence I might have by condemning something as popular as social security. And, you "can't do anything about it anyway"; so why tilt at wind-mills?

We can do something about it — and we must.

The first step is to let the public know what is going on. Two *Reports* on social security which I have published have been widely distributed by patriotic organizations and individuals. We still have a small supply of them. Synopses are given below.

* * * * *

SOCIALIST INSECURITY

Official statistics, released by the Department of Health, Education and Welfare, reveal that the Social Security Administration runs a net deficit of from \$10,000 to \$40,000 on every person covered under social security. Government figures indicate that 55.6 million people are presently covered. This means that government liability, at

WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He served as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report*.

present, under social security alone runs from an estimated 556 billion to almost 3 trillion dollars — and the liability is growing rapidly each year. U. S. Congressmen say that social security is a fraudulent scheme which Congress is afraid to criticize because of its political popularity. The only way to avoid ruin is to compel the government to pay back what it has taken away from the people and then forbid the government further to engage in this unconstitutional activity.

That is a brief summary of *The Dan Smoot Report* entitled "Socialist Insecurity," (Volume 3, No. 27) published July 8, 1957.

We have a small supply of this issue in stock — for sale at our regular reprint prices: 6 for \$1.00; 100 for \$10.00.

* * * * *

SOCIAL SECURITY IS BANKRUPT

Official statistics reveal that the Social Security System went in the red in 1958 and that it will run a deficit of 1 billion, 100 million dollars in the year ending June, 1959. There are 19,840,000 people drawing some kind of benefits from the federal treasury under social security alone. There are 2,323,000 persons on federal civilian payrolls,

2,500,000 persons on the federal military payrolls, and approximately 4,000,000 persons drawing federal pensions and medical payments outside of the social security program. Total employment in the United States (exclusive of federal payrolls) is 62,600,000.

This means that while 62,600,000 outside the federal government are working and paying taxes into the federal treasury, there are 28,600,000 people living on payments from the federal treasury.

The social security system has been expanded every election year since 1950, and each year Congress writes socialized medicine provisions into the amendments. The principal socialized medicine provision before Congress in 1958 was the Forand Bill, which would extend socialized medicine to every one on the social security rolls. Patriotic organizations put pressure on Congress to reject it. Without going any further, we are already well on the way to socialized medicine.

That is a brief summary of *The Dan Smoot Report* entitled "Social Security is Bankrupt" (Volume 4, No. 31), published August 4, 1958. We have copies in stock, for sale at our regular reprint prices.

* * * * *

If you do not keep a permanent file of *The Dan Smoot Report*, please mail this copy to a friend who is interested in sound government.

DAN SMOOT,
P. O. Box 9611, Lakewood Station
Dallas 14, Texas

Please enter my subscription for (_____ years) (_____ months) to THE DAN SMOOT REPORT. I enclose \$_____ ; please bill me for _____.

Rates: \$10 for 1 year
\$ 6 for six months
\$ 3 for three months
\$12 first class mail
\$14 for air mail
\$18 for 2 years

PRINT NAME

STREET ADDRESS

CITY AND STATE

